I said: If you stop our production, we are going to be more dependent upon other countries for our ability to run this machine called America. They are going to have more transportation and a greater possibility of transportation accidents. That is what we are faced with now.

Clearly, I appreciate the two statements that were made by President Obama's old director of the EPA that the endangerment finding is based on the science that we now know is false science. By the way, even though it is not the end of the world that the Murkowski resolution failed, four key lawsuits are filed challenging the law on which they are basing this endangerment finding.

Even if we were to pass any of the cap-and-trade bills, it would not reduce worldwide emissions any. It would only affect the United States. I argue it would increase CO_2 emissions because as we lose jobs in the United States with cap and trade and force a lot of our manufacturers to other countries—they would go to countries such as China, India, and Mexico where they don't even have strong emissions standards.

With that, let's not politicize this any more. If they want to bring up cap and trade, let's do it, and we can defeat it like we have done over the past 10 years.

I yield the floor and suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. INHOFE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

OIL AND GAS PRODUCTION

Mr. INHOFE. Mr. President, there doesn't seem to be anybody else here, so I will make one comment about amendments coming up that are closely related to the subject we just discussed. It is Sanders amendment No. 4318. I knew this would happen—that the bill would be used to pass another agenda. Sure enough, that is what is happening.

The Sanders amendment is aimed at stopping oil production altogether. It does three things: It repeals expensing for tangible drilling costs, it repeals percentage depletion for marginal oil and gas wells, and it repeals the manufacturing deduction for oil and gas production.

I predicted the spill in the Gulf of Mexico would be used as an opportunity to shut down domestic oil and gas wells owned and operated by independent oil and gas producers throughout the country. That is what is happening with this amendment.

Repealing expensing of intangible drilling costs eliminates the ability to expense intangible drilling and development costs, called IDC, which would force at least a 25- to 30-percent reduction in drilling budgets, leading to lost jobs, lost production, and higher prices for consumers. We have not talked much about higher prices to the consumers.

With cap and trade—if they were successful in that—we would feel that in a matter of weeks. Despite the rhetoric, IDC expensing is firmly grounded in sound accounting practices and principles, and it has been in the Tax Code since 1913. IDC expensing is similar to expensing by other companies for technology, wages, and fuels which other industries expense for operations. So they are singling out the oil and gas industry, just willfully, to stop them and put them out of business.

Likewise, since 1926, small producers and millions of royalty owners have had the option to utilize percentage depletion to both simplify and account for the decline in the value of minerals produced from a property. It is complicated, but percentage depletion recognizes that oil and gas reservoirs are depleted by production, so it is the amount which small producers can expense to reinvest in production. Percentage depletion is particularly important for the production of America's over 600,000 low-volume marginal wells.

I am particularly interested in this because in my State of Oklahoma we have mostly marginal well production. Marginal wells produce less than 15 barrels a day. It is a smaller type of production. The average marginal well produces barely two barrels a day—we have been talking about millions of barrels in the gulf—yet, cumulatively, they account for nearly 28 percent of domestic production in the lower 48 States.

Since every on-shore natural gas and oil well eventually declines into marginal production, the economic lifespan and corresponding production of nearly all natural gas and oil wells would be reduced through the elimination of percentage depletion.

Finally, Congress has already frozen the manufacturers' tax deduction specifically for only oil and natural gas companies less than 2 years ago. All other domestic manufacturing can deduct income at a higher rate than oil and gas companies. Repealing the entire reduction for oil and gas companies is only targeting oil and gas production, and it shows what the motivation is.

We have to remember a couple of very important points when we seek to target certain industries for tax treatment. First, oil and gas companies employ Americans and fund our communities. Oil and gas companies employ over 9 million people in the United States. Approximately 3 million land and mineral owners from coast to coast are the beneficiaries of monthly checks from the royalties produced on their properties. Many of these individuals are small property owners—very small—and some are just small family farms. In fact, just today the National Association of Royalty Owners ranked this as its No. 1 concern on its Web site. That was today.

They say the Sanders amendment is their No. 1 target. These are not rich people. They are small farm owners and landowners. States annually collect billions of dollars in oil and gas excise and severance taxes that furnish critical funding for roads, schools, and law enforcement. By punishing America's oil and gas industry, this amendment only puts unemployment and State and local funding in peril.

Secondly, punishing our oil and gas industry only makes us more dependent on foreign sources of energy. After President Jimmy Carter imposed a windfall profit tax on the oil and gas industry in 1980, the nonpartisan Congressional Research Service later determined that its results were hugely counterproductive, saying:

> The windfall profit tax reduced domestic oil production between 3 and 6 percent, and increased oil imports from between 8 and 16 percent. . . . This made the U.S. more dependent upon imported oil.

America's natural gas and oil companies are already paying taxes at the highest rates. Figures from the Energy Information Agency indicate that America's major oil producers already pay, on average, more than a 40-percent income tax rate.

The EIA also reported in December of 2009 that, on average, 53 percent of the net incomes of oil and gas companies are paid in taxes compared to 32 percent from others in the manufacturing sector.

Now is not the time to group the entire oil and gas industry together for punishment. Punishing the entire industry in the sledge hammer approach this amendment uses only increases the cost of energy for all Americans, and it makes us more dependent upon foreign countries to run this machine called America, as I often say.

People say they don't want oil, gas, coal, or nuclear. Well, in the final analysis, how do you run the country without it? You can't. If we retard in any way the ability to produce oil and gas, it will make us more dependent upon foreign countries for us to drive this machine called America.

With that, I yield the floor.

The ACTING PRESIDENT pro tempore. The majority leader is recognized.

Mr. REID. Mr. President, would the Chair be kind enough to have the bill reported.

CONCLUSION OF MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Morning business is closed.

AMERICAN JOBS AND CLOSING TAX LOOPHOLES ACT OF 2010

The ACTING PRESIDENT pro tempore. Under the previous order, the